



The Value of Wholesale Produce Markets in Context: An Overview of the Local & Regional Food Marketing Landscape



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Local Food Trends

- Local food has become a mainstream consumer preference
- Preference for local is a driver of retail & restaurant offerings across segments
 - Fine dining – 92%
 - Casual dining – 73%
 - Fast casual – 63%
 - Family dining – 50%
- Nearly 9 of 10 shoppers say the availability of local food is either very or somewhat important
- Demand for local is no longer niche or limited to high-end consumers

“There is abundant evidence that to suggest that local food systems have serious traction and considerable staying power, and will make an increasingly important contribution to the US food system.”

Tropp & Moraghan, 2017, p. 36

Local Food Trends



- Local food sales are increasing:
\$6.1 billion in 2012

- ▣ Direct-market sales have plateaued

- ▣ Growth in intermediated markets has increased

Intermediated marketing channels:

Farmers selling to grocers, restaurants, regional aggregators such as food hubs, and buying arrangements with ... [institutional] food service operations.

Low et al, 2015, p. 5

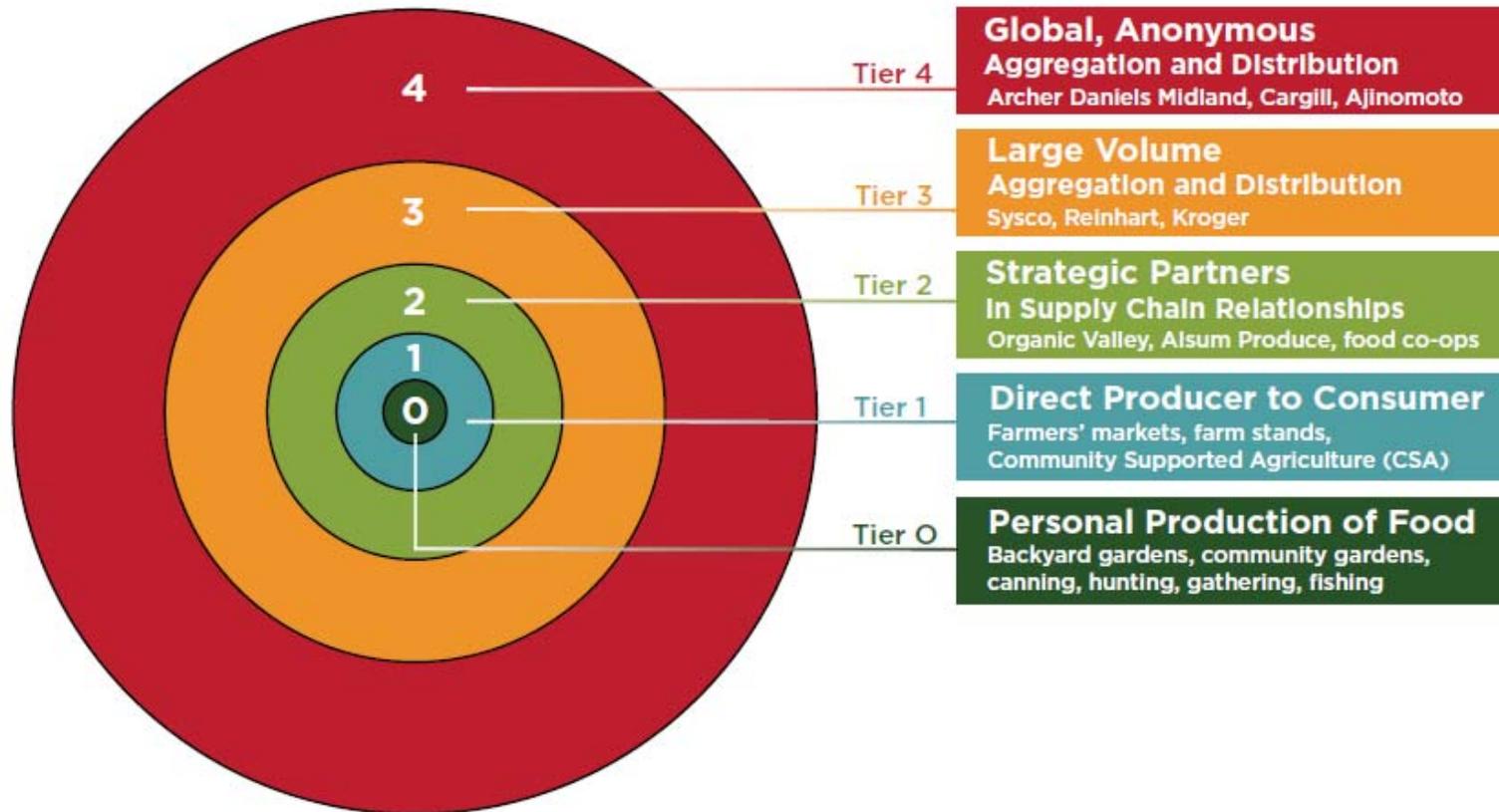
Potential benefits of scaling up local food marketing

- Improved farm profitability & rural prosperity
- Greater efficiencies in transportation & logistics
- Better worker conditions on larger farms
- Regional resilience

Sales of local foods to higher-volume customers are seen as one of the more promising avenues for mid-sized farms to maintain their foothold.

Tropp & Moraghan 2017 p. 36

Tiers of the Food System Framework



The Tiers of the Food System framework was developed by Jim Bower, Blue Planet Partners; Ron Doetch, Michael Fields Agricultural Institute; and Steve Stevenson, UW-Madison Center for Integrated Agricultural Systems.

Common challenges to scaling up local food distribution



- Controlling for product quality and consistency
- Seasonality
- Matching supply and demand
- Food origins and production differentiation
- Supply chain infrastructure
- Capital
- Capacity development
- Information flow and transparency

Day Farnsworth et al 2009

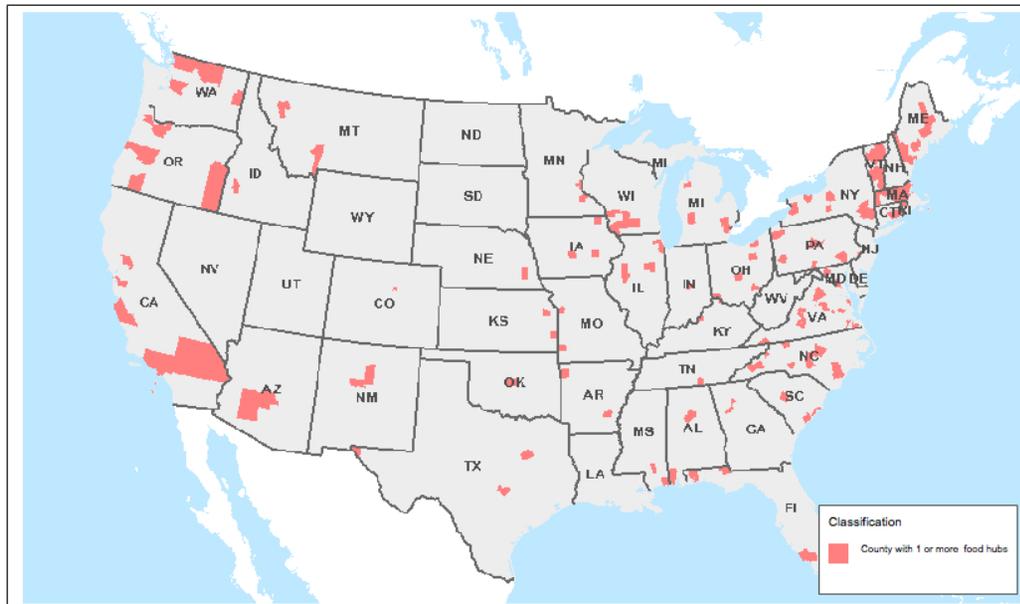
“[As] accessing markets is difficult for small- and mid-sized farmer as procurement systems are increasingly vertically and horizontally integrated and aim to maximize efficiency, **new models will be necessary.**”

Thilmany, Bauman & Jablonski 2016

The rise of food hubs

- Food hubs: “businesses or organizations that actively manage the aggregation, distribution, and marketing of source-identified food products primarily from local and regional producers to strengthen their ability to satisfy wholesale, retail, and institutional demand.”

Barham et al. 2012



Food hubs, 2012

Food Hub Strengths

- Actively provide new market outlets for small & mid-sized local/regional producers
- Technical assistance to producers
 - ▣ Production planning, food safety, season extension
- Product differentiation & transparency
 - ▣ Identity preservation, group branding
- Infrastructure for complementary activities
 - ▣ Light processing, storage, kitchens
- Associated nutrition & food access
 - ▣ SNAP, WIC

Credence attributes are characteristics based on product origin or production practices are not as identifiable as characteristics like price or quality.

Pullman & Wu 2011

Wholesale market strengths



- Industry knowledge
- Capitalize on benefits of co-location
- Infrastructure
- Demonstrated public goods
 - Link rural & urban economies
 - Business incubation & expansion
 - Inter-merchant transactions
 - One-stop shopping for buyers
 - Enhance market access for farmers & buyers
 - Self-organization → more resilient regional food systems
 - They have withstood the test of time

The Opportunity for Wholesale Markets



- Strategies for tapping into the demand for local product include:
 - ▣ Building farmer-buyer relationships
 - Business-to-business farmers' markets
 - ▣ Exploring infrastructure improvements that enhance local & regional marketing
 - Improved docks, enclosed cross-docking spaces for local product
 - ▣ Promoting transparency & marketing that help local farmers compete
 - Source-identified marketing for local product

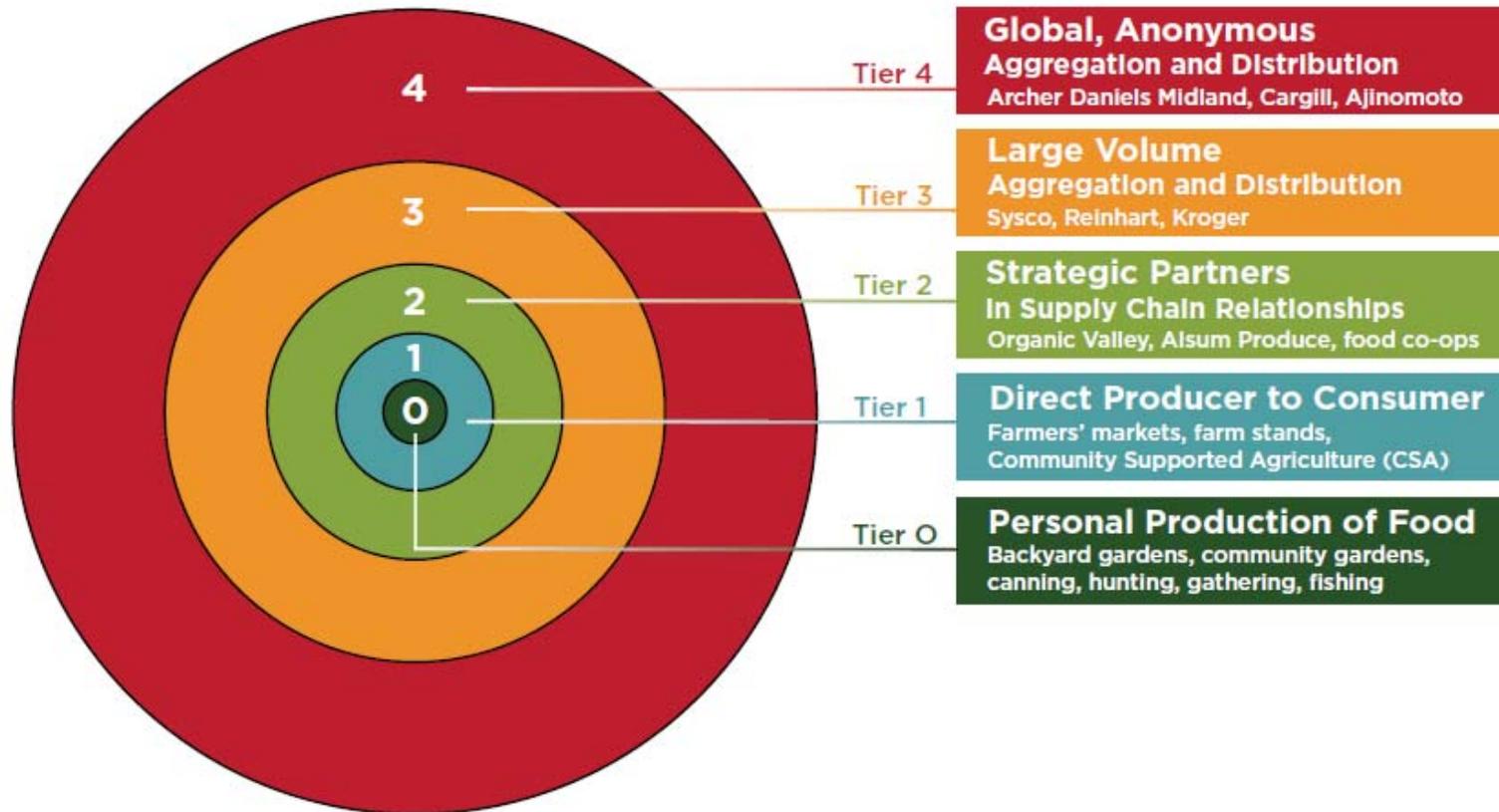
Opportunity for convergence?



- Food Innovation Clusters
 - ▣ Co-location
 - ▣ Food hubs as market tenants

- Networking food hubs & wholesale market infrastructure
 - ▣ Cross-docking
 - ▣ Storage
 - ▣ Product exchange

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